

**UMKHANDLU WASEKHAYA  
IMPENDLE  
LOCAL MUNICIPALITY**



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**ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008**

**MARCH 2009**

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## GOVERNANCE & LEADERSHIP

### Speaker/Mayor

Impendle LM has seven councillors and is therefore a plenary executive system combined with a ward participatory type of municipality. The Speaker therefore plays the role of Mayor as well.



**Councillor SM Makhaye** was elected by council following the 2006 local government election as Speaker/Mayor of iMpendle and has held this position since then. By end June 2007 the position was part but has since been declared full time by the MEC for Local Government in KZN.

### Council Members

The rest of the councillors making up the council of iMpendle are: Cllr MM Cekwane, Cllr CD Gwala, Cllr M Dlamini, Cllr Ndlela, Cllr B Madlala and Cllr T Mncube.



1. HW Cllr Mkhaye
2. Cllr Cekwane
3. Cllr Madlala
4. Cllr Gwala
5. Cllr Ndlela
6. Cllr Mncube
7. Cllr Dlamini

## **Wards & Ward Committees**

The municipality has four wards: Cllr Cekwane (Ward 1), Cllr Makhaye (Ward 2), Cllr Gwala (Ward 3) and Cllr Ndlela (Ward 4).

Each of the wards has a ward committee. Ward committees has received elementary capacity building in the past, however their interaction with the municipality remains limited for various reasons including the terrain, communication facilities and limited resources.

## **Traditional Leadership**

Most of the black African people of iMpendle is live on Ingonyama Trust Land under the administration of Traditional Leaders (Amakhosi). There are five Traditional Administrations in iMpendle, namely: Zuma (Nxamalala), Duma (Thunzi & Clarens), Dlamini (Lower & Upper Makhuzeni), Molife (Abatlokwa), Molife (Siminza)

## **Council Meetings – 2006/2007**

<b>Date</b>	<b>Meeting</b>
05 July 2006	Special
13 July 2006	Special
19 July 2006	Special
10 August 2006	Special
13 September 2006	Special
15 September 2006	Special
18 September 2006	Special
05 October 2006	Special
20 October 2006	Special
23 October 2006	Special
26 October 2006	Scheduled
05 January 2007	Special
25 January 2007	Scheduled
22 February 2007	Special
27 February 2007	Scheduled
29 March 2007	Scheduled
30 March 2007	Special
03 April 2007	Special
30 April 2007	Scheduled (postponed)
29 May 2007	Scheduled
11 June 2007	Special



## MANAGEMENT & STAFF

**Thusong Services Centre  
Manager – S Mkhize**



**Executive Manager Technical  
J. Mumford**



**CFO - TS Khwela**



## STAFF ESTABLISHMENT

	Name	Department	Designation
1	Chirwa SK	Finance	Finance Intern
2	Dlamini BS	Technical	Cleaner Library
3	Dlamini SA	Corporate	Secretary: Mayor
4	Dlamini VS	Corporate	Security Guard
5	Dumakude MS	Technical	Temp Security Guard
6	Funeka SB	Corporate	Mayoral Aid
7	Gcaba PP	Corporate	Committee Officer
8	Gwala NB	Technical	Tech Intern
9	Khwela TS	Finance	CFO
10	Mhlongo LP	Finance	Cashier
11	Mjwara PV	Corporate	Receptionist
12	Mkhize BS	Finance	Jnr Revenue Officer
13	Mkhize GG	Technical	Librarian
14	Mkhize SL	Technical	LED Officer(AMM)
15	Moloyi JC	Technical	Temp Security Gua rd
16	Mthembu NS	Corporate	Mayoral Aid
17	Mumford JAC	Technical	Executive Technician
18	Mzilikazi B	Technical	Library Assistant
19	Ndlovu BR	Technical	General Worker
20	Ngcobo BL	Technical	Messenger/Driver
21	Ngcobo TM	Corporate	Hall Caretaker
22	Ngcobo TM	Corporate	HR Intern
23	Ngubane M	Corporate	Security Guard
24	Nkomo PR	Technical	Library Assistant
25	Nkosi ZP	Corporate	Sec: Corporate Services
26	Nzimande NL	Finance	Finance Intern
27	Phoswa T	Corporate	HR Officer
28	Pitout TG	Finance	Financial Officer
29	Thabethe SJ	Corporate	Mayoral Aid
30	Zondi NN	Corporate	Registry Clerk
31	Zulu GK	Technical	Development Planner
32	Zulu MR	Technical	Temp Security Guard
33	Zuma NE	Corporate	General Worker

## OVERVIEW

### Geographical Location

Impendle Municipality is located within the uMgungundlovu District which is regarded as the heart of the KwaZulu Natal Midlands. Impendle is situated on the south western boundary of the uMgungundlovu District, and shares a boundary with the Sisonke District to the south, and the KwaSani Local Municipality which includes such towns as Underberg and Himeville. To the north is the uMngeni Local Municipality which is closely tied to the Impendle Municipality in terms of agriculture and potential tourism (Midlands Meander), and to the east The Msunduzi Local Municipality which is the capital of the province and economic hub of the District. To the west are District Management Areas of the Drakensberg that fall under the Transfrontier Development Initiative related to the World Heritage Site.

### Population and Access to Services

The population of Impendle in terms of the 2001 Census figures given on the Demarcation Board Website in 2003, is 33 569 which equates to 3,6% of the population of the District. A total population estimate for 2004, based on figures from surveys carried out as part of the District-Wide Integrated Local Economic Development Strategic Framework Plan, 2007 is 44 655. This report highlights the rural nature of the Impendle area. Only 0,2% of the population is urbanized i.e. lives in a formal urban area.

The extent of the Impendle Municipality is 949 km<sup>2</sup>. The resultant population density in 2001 was 35 persons per km<sup>2</sup>, rising to 47 persons per km<sup>2</sup> in 2004. Population concentrations occur mainly around the town of Impendle, along roads and adjacent to rivers.

The total number of households given in the 2001 Census figures for Impendle is 7343, which implies an average household size of

4,5 persons. The number of households without access to potable water within at least the Family Yard in 2001 was 2536 (35%); those without access to electricity, 2857 (39%); those without access to at least a VIP (ventilated improved pit latrine) 4223 (57%), and those without access to municipal waste removal 7156 (97%).

### Economy

Farming is by far the dominant industry in Impendle municipality. Forestry and stock farming constitutes the bulk of the farming activities. The area has potential for growth in tourism which is often overshadowed by Pietermaritzburg and Underburg. Manufacturing is almost none existent while Social Services is growing.

There are forty nine schools in all, three clinics and two police stations.

### Municipal Budget

The 2006/2007 Operating budget for Impendle Local Municipality was as follows:

Budget	
Operating Budget	6 898 307.00
Capital Budget	2 911 173.00
<b>Total</b>	<b>9 809 480.00</b>

### Contacts Details:

Tel Number: 033-996 0771

**Fax Number:** 033-996 0852

**Postal Address:** Private Bag x 512

**Physical Address:** 21 Mafahleni Street

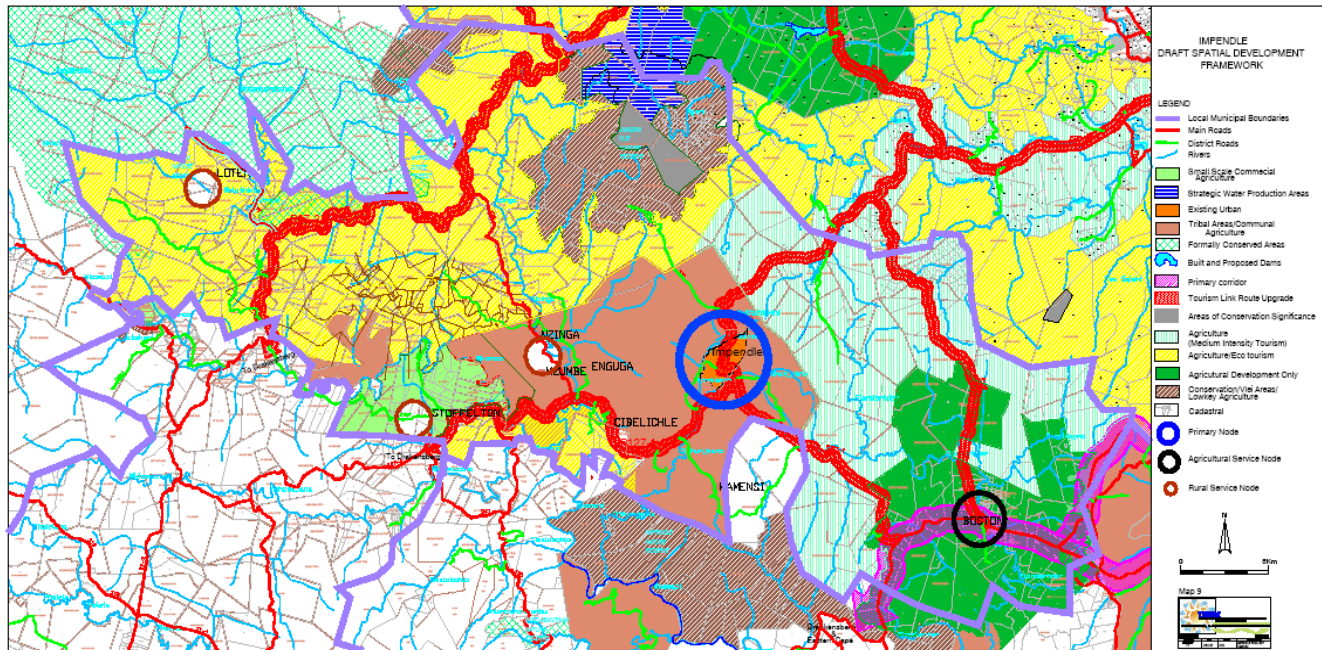
**Suburb Name:** Impendle

**Postal Code:** 3227





## SPATIAL DEVELOPMENT PLAN FOR IMPENDLE LM



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**ANNUAL REPORT**  
**2007/2008**

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## **ANNUAL REPORT FOR IMPENDLE LOCAL MUNICIPALITY FOR THE 2007/8 FINANCIAL YEAR**

### **INTRODUCTION**

The provision of section 121 of the Local Government: Municipal Finance Management Act no 53 of 2003 requires that each municipality must for each financial year prepare an annual report.

#### **Purpose of the Annual Report**

- Provide a record of the activities of the municipality during the financial year
- Report on performance against the budget for the financial year
- Promote accountability to the local community for the decisions made throughout the year

#### **Legislative requirements in respect of the content of an Annual Report**

- Annual financial statements of the municipality
- Auditor-General's audit report in terms of section 126(3) of the MFMA and Section 45(b) of the Local Government System Act no 32 of 2000
- Annual performance report
- Assessment of any arrears
- Assessment of performance
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports
- Explanations in connection to financial statements
- Any information as determined by the municipality
- Recommendations of the audit committee
- Any other information as may be prescribed

The ensuing report covers some of the aspects required in terms of section 121 of the Municipal Finance Management Act.

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**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2008**

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## **ANNUAL FINANCIAL STATEMENTS FOR 2007/2008**

The annual financial statements were compiled within the prescribed period and are attached hereto as **Annexure A**. The financial statements have been prepared in accordance with standards laid down by the Institute of Municipal Finance Officers (IMFO) in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition – January 1996).

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**REPORT OF THE AUDITOR GENERAL ON ANNUAL FINANCIAL  
STATEMENTS OF IMPENDLE LOCAL MUNICIPALITY  
FOR THE YEAR ENDED 30 JUNE 2008**

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## **AUDITOR GENERAL'S AUDIT REPORT**

Audit activities by the Auditor-General commenced in September 2007. The audit reports of the Auditor-General were received by council on 19 December 2006. The report of the Auditor-General in terms of section 126 of the MFMA and section 45 of the Municipal Systems Act follows hereto:

### **REPORT OF THE AUDITOR-GENERAL TO KWAZULU-NATAL PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF IMPENDLE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007**

#### **REPORT ON THE FINANCIAL STATEMENTS**

##### **Introduction**

1. I was engaged to audit the accompanying financial statements of the Impendle Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 2 to 24.

##### **Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Institute of Municipal Finance Officers (IMFO) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

##### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

##### **Basis of accounting**

4. The Municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

## **Basis for disclaimer of opinion**

### **5. Fixed Assets**

No fixed asset register was available that records the details of the assets valued at cost of R14 870 987. I did not obtain sufficient audit evidence to satisfy myself as to the existence, completeness and accuracy of fixed assets.

### **6. Cash payments and receipts listing**

Although a detailed cash payments and receipts listing was provided the information contained therein does not agree to the amounts disclosed in the financial statements. I did not obtain sufficient audit evidence to satisfy myself as to the occurrence, completeness and accuracy of payments and receipts for the period.

### **7. Grants and subsidies**

The schedule of grants received agrees to the bank statements but does not agree to the figure disclosed in the financial statements. Expenditure of R4 987 072 incurred against grants received could not be verified as no supporting documentation was made available to indicate that payments have been made in line with the intended purpose of the grant. The opening balance of R229 297 disclosed in Appendix A of the financial statements for grants unspent could not be verified as this was not disclosed in the prior year. I did not obtain sufficient audit evidence to satisfy myself as to the occurrence, completeness and accuracy of grants.

### **8. District water claim**

The water claim for the 2006/07 financial year of R997 344 was not recorded as a debtor. This was reported in the prior year where the claim of R836 220 was not recorded. I could not determine whether the prior year claim was recovered from the District or whether it was recorded as a debtor in the current year.

### **9. Appropriations**

No supporting documents for the appropriations for the year of R4 179 292 reflected in the financial statements could be provided. I did not obtain sufficient audit evidence to satisfy myself as to the valuation of appropriations.

### **10. Debtors**

Adequate supporting documents could not be provided to support the balances for consumer and other debtors of R1 384 704. Suspense accounts included in these balances were not cleared at year end and no details could be provided to support these balances. Of further concern is the large decrease of 63% in other debtors, prior to the provision, from the prior year (2006: R3 641 788 and 2007: R1 332 645), which could not be explained and validated against the age analyses. I did not obtain sufficient audit evidence to satisfy myself as to the existence, completeness and valuation of debtors.

As previously reported the opening balances for debtors have not been captured onto the new debtors system that has been implemented by the municipality. I could not ascertain whether this error from the prior year had been rectified in the current year, I can thus not determine to what extent debtors are misstated in the financial statements.



#### 11. Long term debtors

An amount of R683 968 is owed to the municipality for personal and car loans to staff and councillors incurred in prior years. No evidence could be provided to indicate that acknowledgement of debt agreements had been signed, that amounts were being repaid and that the total long term debt was included in the general ledger or the financial statements. I did not obtain sufficient audit evidence to satisfy myself as to the existence, completeness and valuation of long term debtors.

#### 12. Provisions

The calculation methods used to arrive at the provision for audit fees and leave provisions of R620 273 and bad debts of R19 136 could not be provided. I did not obtain sufficient audit evidence to satisfy myself as to the valuation of provisions.

#### 13. Creditors

A number of suspense accounts included under creditors were not cleared at year end and no supporting documentation was provided to support the balance of R554 765. Of concern is the salary suspense account of R192 166 which should be cleared each month after the payment of employee costs. I did not obtain sufficient audit evidence to satisfy myself as to the existence, completeness and valuation of creditors.

Disclosed under trust funds in Appendix A of the financial statements is a credit balance of R112 089 for the library building. The building project is completed and all payments have been made to the construction company. The amount of R112 089 needs to be reimbursed to the Department of Arts and Culture and should be included under creditors.

#### 14. Expenditure

No invoices or quotes were available to support the purchase of motor vehicles of R400 696. I did not obtain sufficient audit evidence to satisfy myself as to the occurrence, completeness and accuracy of expenditure.

#### 15. Rates income

No valuation roll or property listing was available for inspection; consequently rates revenue of R73 616 could not be audited. The disclosure note 8 reflects assessment rates of R96 059. I did not obtain sufficient audit evidence to satisfy myself as to the completeness and accuracy of rates income.

#### 16. Service and direct income

No registers are maintained for certain categories of other service charges of R50 287 received by the municipality. No supporting documentation could be provided to substantiate the refuse removal income of R30 375. I did not obtain sufficient audit evidence to satisfy myself as to the occurrence, completeness and accuracy of service and other income.

#### 17. Value added tax (VAT)

No VAT returns has been completed or submitted for the 2006/07 or the 2005/06 financial years, as previously reported. This is in contravention of the VAT Act. Any penalties incurred in



the future will be regarded as fruitless and wasteful expenditure. I was unable to carry out all the audit procedures I considered necessary for my audit.

**18. Investments**

The investment held of approximately R20 000 in Club Mykonos was recorded in the investment register but not included in the general ledger or the financial statements. This type of investment does not fall within the investment types as prescribed by the Municipal Finance Management Act, 2003 (No. 56 of 2003) (MFMA) and the Municipal Investment Regulations (Government Gazette No. R. 308 of 1 April 2005).

**19. Accounting policies**

No accounting policy is included for leased assets, public improvement fund, provision for bad debts and trust funds.

**Disclaimer of opinion**

20. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Impendle Municipality. Accordingly, I do not express an opinion on the financial statements.

**Emphasis of matters**

I draw attention to the following matters:

**21. Highlight of a matter affecting the financial statements which is included in a note to the financial statements**

**Fixed Assets**

Included in additions to fixed assets in Appendix C of the financial statements are two items amounting to R48 356 that relate to purchases for prior periods, indicating that fixed asset additions are overstated. Additions for community centres include R1 587 853 for the library that was constructed. We were unable to obtain the contract/agreement for this grant and are unable to determine the owner of this asset, indicating that fixed asset additions are overstated.

**Debtors**

It was reported previously that an amount of R1 262 081 was raised as a debtor for South African Revenue Service (SARS), however a vat audit conducted by SARS concluded that no payment will be paid to the municipality. Therefore, SARS was incorrectly reflected as a debtor in the prior year. It could not be ascertained whether this debtor had been reversed in the current year.

**OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

**22. Material non-compliance with applicable legislation**

**Municipal Systems Act**

The rates randage was not advertised for 2006/07 financial year as required by section 75A of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000) (MSA).



A performance contract between the Municipal Manager and the Council was not signed as required by section 57 of the MSA.

#### **Local Authorities Ordinance**

No contribution was made to the capital development fund in terms of section 103(b)(i) of the Local Authorities Ordinance No. 25 of 1974. A letter can be sent to Province to request an exemption from the contribution, however no such letter was available during the audit sent by the municipality.

The rates randage was not advertised for 2006/07 financial year as required by the KwaZulu-Natal Local Authorities Ordinance, 1974 (No. 25 of 1974).

Income and service tariffs for the 2006/2007 financial year were not reviewed and approved by Council nor advertised as required by the KwaZulu-Natal Local Authorities Ordinance, 1974 (No. 25 of 1974).

#### **Municipal Finance Management Act**

The accounting officer is responsible for managing the financial administration of the municipality and should take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards as required by section 62(1)(b) of the MFMA. The control issues and limitation of scope paragraphs in this report indicate non compliance with the MFMA.

Full disclosures in terms of section 125 of the MFMA have not been made, with particular reference to pension, medical aid and taxes paid in respect of all staff of the municipality, details of each bank account held and full disclosure of grants and subsidies.

The details regarding all bank accounts and a copy of the consolidated report of all withdrawals from the municipal bank accounts were not submitted to the Provincial Treasury and the Auditor-General as required by section 9 of the MFMA.

A new bank account was opened during the financial year and the name of the bank, type of account and account number were not submitted in writing to the Provincial Treasury and the Auditor-General as required by section 9(a) of the MFMA.

Money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement in terms of section 65(2)(e) of the MFMA.

Formal written delegations of authority have not been adopted by the municipality as required by section 11(1) of the MFMA.

#### **Supply Chain Management Regulations**

Written or verbal quotations for purchases of a value of R2 000 up to R10 000 (VAT included) were not obtained in all instances, as stipulated by Supply Chain Management (SCM) regulation 12.

A database or preferred list of approved suppliers was not maintained as required by regulation 14 of the SCM Regulations.

The purchase of the motor vehicles did not go out to tender as required by the section 6.2 of the Procurement and SCM Policy and SCM Regulation 12.

#### **Division of Revenue Act**

Reports detailing allocations received from national or provincial transferring officers and amounts spent were not submitted monthly in terms of section 16(1)(b) of the Division of Revenue Act, 2004 (No.5 of 2004).

### **23. Value for money matters**

Infrastructure grant

Recorded in Appendix A of the financial statements is an amount of R100 000 for a Municipal Infrastructure Grant received; however this amount was not actually received by the municipality but rather by the District.

### **24. Internal control**

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.



Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer opinion</b>					
Appropriations			✓		
Expenditure			✓		
Cash payments and receipts listing			✓		
Creditors			✓		
Fixed assets			✓		
Provisions			✓		
Debtors			✓		
Long term debtors			✓		
District water claim			✓		
Grants and subsidies			✓		
Rates income			✓		
Service and direct income			✓		
Investments			✓		
Accounting policy	✓				
<b>Emphasis of matter</b>					
Fixed assets			✓		
Debtors			✓		
<b>Other matters</b>					
Non compliance with MSA	✓				
Non compliance with Local Authorities			✓		

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Ordinance					
Non compliance with MFMA			✓		
Non compliance with SCM regulations			✓		
Non compliance with Division of Revenue Act			✓		
Value for money			✓		
Audit of performance information	✓				

#### **OTHER REPORTING RESPONSIBILITIES**

##### **Reporting on performance information**

25. I was engaged to audit the performance information.

##### **Responsibility of the accounting officer**

26. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA. Low capacity municipalities have been granted a delay until 30 June 2007 in complying with section 121 issued in Government Gazette No. 26511, of 1 July 2004.

##### **Responsibility of the Auditor-General**

27. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 646 of 25 May 2007 and section 45 of the MSA.

28. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

29. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.



## **Audit findings (performance information)**

### **30. Non-compliance with regulatory requirements**

#### **Community participation**

Adequate evidence could not be provided that notice had been given to the community of the process particulars that the municipality intended to follow, in drafting the integrated development plan (IDP) or community participation for adopting the process for drafting the IDP in terms of the Municipal Planning and Performance Management Regulations, 2001 (Regulations).

The regulations further require that the community be kept informed of the implementation of the IDP. However, there was no evidence of this.. This is non compliance with section 28 of the MSA and Regulation 15.

The community is to be given 21 days to comment on the draft IDP prior to its adoption by Council. However, I saw no evidence that the community were given any opportunity to comment. This is non compliance with Regulation 15(3).

Also, no evidence could be obtained to indicate that the community participated in the setting of key performance indicators. This is non compliance with section 42 of the MSA and Regulation 15.

#### **Management of drafting process**

The responsibilities with regard to managing and drafting of the IDP have not been formally assigned to the municipal manager by the Council. This is non compliance with section 30 of the MSA.

#### **Details of IDP**

The financial plan included in the IDP as required by section 26(h) of the MSA does contain sufficient detail with regards to the financial resources available for capital project developments and operational expenditure for the current year but does not reflect what is planned for future years nor a financial strategy that defines sound financial management and expenditure control as required by Regulation 2(3).

Target dates are included in the IDP, but not performance targets are included for each of the key performance indicators. Non compliance with section 26(i), 41(1)(b) of the MSA and Regulation 12.

#### **Adoption of IDP**

The draft IDP has to be submitted to Council for adoption as prescribed in the process plan, 30 of the MSA. However, I saw no evidence of this. This is non compliance with section 30 of the MSA.

The Council must adopt the IDP within a prescribed framework after the start of its elected term. However, I saw no evidence of this.

After the adoption of the IDP, the municipality must within 14 days give notice to the public of the adoption of the plan. However, I saw no evidence of this. This is non compliance with section 25 of the MSA.

**Submission of IDP to MEC**

Once the IDP has been adopted by Council, a copy must be submitted to the MEC for Local Government within 10 days. However, I saw no evidence that the IDP has been submitted to the MEC for Local Government. This is non compliance with section 32 of the MSA.

**Establishment of a performance management system**

A formally documented framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players has not been developed or adopted.

No performance management system is in place and no formally documented process has been adopted. This is non compliance with MSA chapter 6 and Regulation 7.

The implication of this is that there is no evidence that Council has implemented the IDP as actual performance against the targets has not been monitored. This is non compliance with section 36 of the MSA.

The responsibility of developing the PMS has not been formally assigned to the municipal manager by the Council. This is non compliance with section 39 of the MSA.

The performance management framework must include steps on developing key performance indicators as a yardstick to measure the performance of the municipality against the development priorities and objective set out in the IDP. Impendle has set key performance indicators, however regulation 8 requires that the Council adopt the PMS before or at the same time as the commencement of the process of setting key performance indicators and targets in accordance with the IDP. This is non compliance with section 39 of the MSA and Regulation 8.

**Key performance indicators**

The seven general key performance indicators must be included in the key performance indicators set by the municipality. These seven general key performance indicators were not included in the IDP. This is non compliance with section 43 of the MSA and Regulation 10.

The key performance indicators must be measurable, relevant, objective and precise. A review of the key performance indicators included in the IDP are not considered to be measurable as they can not be easily calculated from data generated speedily, easily and at a reasonable cost. This is non compliance with Regulation 9(1)(b).

**Notification of key performance indicators**

The targets set for each of the key performance indicators should be made known internally and to the general public. No evidence was seen of the targets being discussed with the plan owners and key performance indicator owners, and no evidence could be obtained to indicate that the targets have been made known to the community. This is non compliance with section 44 of the MSA.





### **Monitoring, measuring and review**

Performance targets set must correspond with available resources and with the municipality's capacity, However, I saw no evidence that the performance targets are linked to either the available resources or the municipality's capacity. Targets set must be able to measure the efficiency, effectiveness, quality and impact of the performance of the municipality. This is non compliance with Regulation 12.

Actual performance against the predetermined development priorities and objectives, key performance indicators and targets is not presently measured at Impendle Municipality. This is non compliance with section 41 of the MSA and Regulation 13.

### **APPRECIATION**

31. The assistance rendered by the staff of the Impendle Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2007



AUDITOR - G E N E R A L

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**PARTICULARS OF CORRECTIVE ACTION TAKEN OR TO BE TAKEN  
IN RESPONSE TO ISSUES RAISED IN THE AUDIT REPORT FOR THE  
PERIOD ENDED 30 JUNE 2008**

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## **PARTICULARS OF CORRECTIVE ACTION TAKEN OR TO BE TAKEN IN RESPONSE TO ISSUES RAISED IN THE AUDIT REPORT FOR THE PERIOD ENDED 30 JUNE 2008**

### **4.1 Discussion of the report of the Auditor-General to and Performance information of Impendle Local Municipality for the year ended 30 June 2007**

The audit report is discussed item by item as per the numbering in the audit report.

#### **4.1.1 Item 1 – Introduction**

In this paragraph it is mentioned that the financial statements have been audited which comprise the balance sheet as at 30 June 2007, the income statement and cash flow statement for the year then ended, and a summary of accounting policies and explanatory notes and the accounting officers report.

**COMMENTS:** Contents noted.

#### **Item 2- Responsibility of the accounting officer for the financial statements**

In this paragraph it is mentioned that the accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Institute of Municipal Finance Officers ( IMFO ) and as required by the Local Government: Municipal Finance Management Act, no 56 of 2003. The responsibility of the accounting officer includes:

- The designing, implementing and maintaining of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement due to fraud or error.
- Selecting and applying appropriate accounting policies.
- Making accounting estimates that are reasonable.

**COMMENTS:** Contents noted.

#### **4.1.2 Items 3 – Responsibility of the Auditor-General**

In this paragraph it is mentioned that, as required by section 188 of the Constitution of the Republic of South Africa, 1996 and section 4 of the Public Audit Act no 25 of 2004 it is the responsibility of the Auditor-General to express

an opinion on these financial statements based on his audit conducted in accordance with the International Standards on auditing. The matters discussed in the basis for disclaimer prevented the auditor to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

**COMMENTS:** Contents noted

4.1.3 **Item 4- Basis of accounting**

This paragraph states that the municipality's policy is to prepare the financial statements on the basis of accounting as determined by National Treasury as set out in accounting policy note 1.

**COMMENTS:** Contents noted.

4.1.4 **Items 5 to 20 – Basis for disclaimer of opinion**

**Item 5 - Fixed assets**

In this paragraph the Auditor – General mentioned that no fixed asset register was available that records details of the assets valued at R14 870 987 and could therefore not obtain sufficient audit evidence to satisfy himself as to the existence, completeness and accuracy of fixed assets.

**COMMENTS:** All assets will be counted, marked and where possible purchase price will be used to determine the value of assets. If this information cannot be obtained a valuation by a service provider will be used to determine the value.

**Responsibility:** CFO/DBSA and service provider

**Target date:** 30 April 2008

**Item 6 – Cash payments and receipts listing**

In this paragraph the auditor mentioned that a detailed cash payments and receipts listing have been provided but the information contained therein does not agree with the amounts disclosed in the financial statements. Therefore the auditor has not obtained sufficient evidence to satisfy himself as to the occurrence, completeness and accuracy of payments and receipts for the period.

**COMMENTS:** Reconciliation will be done to identify and correct the differences.



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**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 7- Grants and subsidies**

In this paragraph the auditor mentioned that the grants received agree with the bank statements but not with the disclosure in the financial statements. The expenditure against grants could not be verified due to a lack of supporting documentation. The opening balance of R229 297 of unspent grants could not be verified.

**COMMENTS:** Grants received and expenditure incurred against grants to be investigated and corrected. The opening balance of unspent grants will be reconciled.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 8 - District water claim**

In this paragraph the auditor mentioned that the water claim for the 2006/7 financial year of R997 344 was not recorded as a debtor. This was also not recorded the previous year when the claim was R836 220. The auditor could not determine whether it has been recorded as a debtor in the current financial year.

**COMMENTS:** The reconciliation of cash payments and receipts listing that will be performed will revealed whether the amount has been recovered. A debtors reconciliation on 30 June 2007 will be compiled to determine whether it was recorded as a debtor.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 9 - Appropriations**

In this paragraph the auditor mentioned that no documentation for the appropriations of R4 179 292 were provided and therefore the auditor was not satisfied with the valuation of the appropriations.

**COMMENTS:** Reconciliation with supporting documentation will be compiled.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 10 - Debtors**

In this paragraph the auditor mentioned that adequate supporting documents could not be provided to support the balances consumer and other debtors. Suspense accounts included in these balances were not cleared at year end and no details could be provided to support these balances. The decrease of 63% in other debtors is a matter of concern which could not be explained and validated against the age analysis. The auditor could not obtain sufficient audit evidence to satisfy himself as to the existence, completeness and valuation of debtors. The auditor mentioned that the opening balances for debtors have not been captured onto the new debtors system and therefore he could not ascertain whether the error from the prior year had been rectified. The auditor could not determine to what extent debtors are misstated in the financial statements.

**COMMENTS:** A debtors reconciliation as at 30 June 2007 will be done. Thereafter supporting documentation for the debtors balances will be obtained to support the outstanding balances. The reconciled balances will then be captured/ corrected on the system.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 11 - Long term debtors**

In this paragraph the auditor mentioned that an amount of R683 968 is owed to the municipality for personal and car loans by staff and councillors incurred in previous years. There is no evidence to indicate that acknowledgement of debt agreements had been signed and that the amounts have been repaid and that the long term debt was included in the general ledger or the financial statements. Therefore, the auditor did not obtain sufficient audit evidence to his satisfaction as to the existence, completeness and valuation of long term debtors.

**COMMENTS:** A complete audit will be done on all loans to staff and councillors. Thereafter all debt agreements will be signed and outstanding amounts will be captured on the general ledger and debtors system and recovered from staff members and councillors.

**Responsibility:** CFO and DBSA deployee



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**Target date:** 30 April 2008.

**Item 12 - Provisions**

In this paragraph the auditor mentioned that the calculation for the provisions for audit fees and leave of R620 273 and bad debts of R19 136 could not be provided. Therefore the auditor did not obtain sufficient audit evidence to his satisfaction as to the valuation of provisions.

**COMMENTS:** Contents noted. Provisions for the 2007/8 financial year will be calculated as follows:

- Leave- Total leave credit of all employees multiplied with their daily tariff.
- Audit fees- As per the estimates of the Auditor- General.
- Bad debts- Debts older than 120 days will be reflected as a provision for bad debts.

**Responsibility:** CFO and DBSA deployee

**Target date:** 15 July 2008.

**Item 13 - Creditors**

In this paragraph the auditor observed that a number of suspense accounts were not cleared at year end and no supporting documentation has been provided to support the balance of R554 765. It is of concern that the salary suspense account of R192 166 which must be cleared monthly has not been cleared. The auditor could not satisfy himself as to the existence, completeness and valuation of creditors. The auditor observed that appendix A in the financial statements disclosed an amount of R112 089 for the library. The said amount must be reimbursed to the relevant department as the building is completed.

**COMMENTS:** A creditors reconciliation as on 30 June 2007 will be compiled with supporting documentation. Creditors will be reconciled monthly and the salary suspense account cleared monthly. The credit amount as reflected under appendix A was the retention money for the library building and has been paid to the contractor in the 2007/8 financial year.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Item 14 - EXPENDITURE**



In this paragraph the auditor mentioned that no invoices or quotes were available to support the purchase of motor vehicles of R400 696. Therefore, the auditor could not be satisfied as to the occurrence, completeness and accuracy of expenditure.

**COMMENTS:** Copies of the invoices will be obtained from the suppliers to support the expenditure and will be tabled at the next audit. Training will also be given to the relevant staff on the procurement processes.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008.

**Item 15 - Rates Income**

In this paragraph the auditor mentioned that no valuation roll was available and therefore the rates income of R73 616 could not be tested. Note 8 reflect assessment rates of R96 059 but there has not been sufficient evidence to prove the correctness of rates income.

**COMMENTS:** A valuation roll will be compiled to be effective from 1 July 2009. The rates income, at the tariffs approved by council for the 2006/7 financial year, will be reconciled.

**Responsibility:** CFO and DBSA Deployee

**Target date:** 30 April for reconciliation and 1 July 2009 valuation roll

**Item 16 - Service and direct income**

In this paragraph the auditor mentioned that there have not been registers for other income of R50 287. No supporting documentation to substantiate the refuse income of R30 375 has been provided and therefore the auditor could not satisfy himself as to the occurrence, correctness and accuracy of service and other income.

**COMMENTS:** Registers will be compiled for other income like cemetery fees, rental of halls and other income. Refuse income of R30 375 will be reconciled and tabled at the next audit.

**Responsibility:** CFO and DBSA employee

**Target date:** 30 April 2008

**Item 17 - Value added tax**

In this paragraph the auditor mentioned that no VAT returns have been completed for the 2006/7 and 2005/6 financial years. He further stated that



penalties incurred in future will be treated as fruitless and wasteful expenditure. The auditor was unable to carry out all audit procedures for the audit of VAT.

**COMMENTS:** A service provider has been appointed to submit returns for these financial years. These VAT returns will be tabled at the next audit.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

#### Item 18 - **Investments**

In this paragraph the auditor mentioned that an investment at Club Mykonos has been recorded in the investment register but it is not included in the general ledger or the financial statements. According to the auditor this type of investment does not fall within the investment types as prescribed by the MFMA and the Municipal Investment Regulations.

**COMMENTS:** The investment has been withdrawn. In future all investments will be done in terms of the MFMA and the Municipal Investments Regulations.

#### Item 19 - **Accounting policies**

In this paragraph the auditor mentioned that there is no accounting policy for leased assets, public improvement fund, provision for bad debts and trust funds.

**COMMENTS:** An accounting policy will be developed which will be in line with GAMAP/GRAP.

**Responsibility:** DBSA deployee

**Target date:** 30 April 2008

#### 4.1.5 Item 20 – **Disclaimer of opinion**

In this paragraph the auditor stated that because of the significance of the matters described in the Basis for disclaimer he was unable to obtain sufficient audit evidence to provide a basis for an audit opinion on the financial statements of Impendle municipality. Therefore the auditor did not express an opinion on the annual financial statements.

**COMMENTS:** Contents noted.

4.1.6 Item 21- **Emphasis of matter**

**21.1 Fixed Assets**

In this paragraph the auditor mentioned that including in additions to fixed assets in Appendix C of the financial statements there are two items amounting to R48 356 that relate to purchases for prior periods which is an indication that fixed assets are overstated. Additions to the community centres include R1 587 853 for the library. The auditor could not obtain the contract for this grant and are unable to determine the owner of this asset and therefore asset additions were overstated.

**COMMENTS:** The additions of the assets in Appendix C will be investigated and corrected.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**21.2 Debtors**

In this paragraph the auditor mentioned that it was reported that an Amount of R1 262 081 was raised as a debtor for SARS but after a VAT audit has been conducted by SARS it was concluded that no payment will be made to the municipality. SARS was incorrectly raised as a debtor in the prior year and the auditor could not ascertain whether the debtor had been reversed.

**COMMENTS:** The debtor reconciliation that will be done will revealed whether the debtor has been reversed. If not the debtors will be corrected in the 2007/8 financial year.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

4.1.7 **ITEM 22- OTHER MATTERS**

**22.1- Material non-compliance with applicable legislation**

**Municipal Systems Act**

In this paragraph it is mentioned that the rates randage was not advertised as required by section 75A of the Systems Act. Furthermore, a performance contract between the Municipal Manager and the council was not signed as required by section 57 of the MSA.



**COMMENTS:** Contents noted. The rates randage will be advertised when the 2008/9 budget has been approved. When a municipal manager is appointed and the SDBIP for the new financial year has been completed the performance contract between the Municipal manager and the council will be concluded.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 June 2008

#### **Local Authorities Ordinance**

In this paragraph it is mentioned that no contribution has been made to the capital development fund as required by the above mentioned ordinance and no application for exemption from the contribution has been sent to province.

The rates randage and income and service tariffs were not reviewed and was not advertised for the 2006/7 financial year as required by the Kwa-Zulu Natal Local Authorities Ordinance.

**COMMENTS:** A letter will be submitted to the provincial government for exemption from the contribution to the capital development fund for the 2007/8 financial year and to apply for condo nation for not applying for exemption from contribution for the 2006/7 financial year. After the completion of the 2008/9 budget the rates randage and service tariffs will be advertised as required by the Kwa-Zulu Natal Local Authorities Ordinance.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 June 2008

#### **Municipal Finance Management Act**

In this paragraph the auditor mentioned that the accounting officer is responsible for managing the financial administration of the municipality and should take reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards as required by

Section 62(1)(b) of the MFMA. Full disclosures in terms of section 125 of the MFMA have not been made with particular reference to pension, medical aid and taxes paid in respect of all staff of the municipality, details of each bank account held and full disclosure of grants and subsidies. Details regarding all bank accounts and a copy of the consolidated report of all withdrawals from the

municipal bank accounts were not submitted to the Provincial Treasury and the Auditor-General as required by section 9(a) of the MFMA. A new bank account was opened during the financial year and the name of the bank, type of account and account number were not submitted in writing to the Provincial Treasury and the Auditor-General as required by section 9 (a) of the MFMA. Money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement in terms of section 65(2)(e) of the MFMA. Formal written delegations of authority have not been adopted by the municipality as required by section 11(1) of the MFMA.

**COMMENTS:** For the 2007/8 financial year all disclosures in terms of section 125 of the MFMA will be done as required. As from the end of April 2008 a report on all withdrawals in terms of section 11 of the MFMA and details of new bank accounts will be submitted to the Provincial Treasury and the

Auditor –General. Creditors will be paid within 30 days or payment terms as arranged with suppliers. The delegations as required by section 11(1) of the MFMA will be approved by the accounting officer before the end of February 2008.

**Responsibility:** Acting MM and CFO

**Target date:** 30 April 2008

#### **Supply Chain Management**

In this paragraph the auditor mentioned that written or verbal quotations were not obtained for purchases between R2 000 and R10 000 in all instances as required by regulation 12 of the supply chain management regulation. A database of approved suppliers was not maintained as required by regulation 14 of the SCM Regulations. The purchase of motor vehicles did not go out on tender as required the procurement policy and SCM Regulation 12.

**COMMENTS:** The supply chain management policy and SCM Regulations will be fully adhered to in all procurement with immediate effect. The database will be maintained by updating it annually.

**Responsibility:** CFO

**Target date:** 30 April 2008

#### **Division of Revenue Act**

In this paragraph the auditor mentioned that reports detailing allocations received from national and provincial transferring officers and amounts spent were not submitted monthly in terms of section 16(1) b of the Division of Revenue Act no 5 of 2004.



**COMMENTS:** The monthly reporting as required has started and reports of all grants received and expenditure in terms of that grant will be submitted monthly.

**Responsibility:** CFO

**Target date:** 31 March 2008

**4.1.8 Item 23-Value for money matters**

In this paragraph the auditor mentioned that an amount of R100 000 is recorded in Appendix A as a municipal infrastructure grant received in 2006/7 but not expensed in that year.

**COMMENTS:** A letter will be submitted to the District municipality requesting them to spend the grant.

**Responsibility:** CFO

**Target date:** 30 April 2008

**4.1.9 Item 24 – Internal Control**

In this paragraph it is mentioned that in terms of section 62(1)( c ) of the MFMA the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The auditor provides a table to show the root causes if the five components of internal control are not in place.

**COMMENTS:** Contents noted.

**4.1.10 Item 25 – Reporting on performance information**

In this paragraph it is mentioned that the auditor was engaged to audit the performance information.

**COMMENTS:** Contents noted.

**4.1.11 Item 25 – Responsibility of accounting officer**

In this paragraph the auditor mentioned in terms of section 121(3) of the MFMA the annual report of the municipality must include the annual performance report of the municipality prepared in term of section 46 of the MSA. Low capacity municipalities have been granted a delay until 30 June 2007 to comply with section 121.

**COMMENTS:** Contents noted.

**4.1.12 Item 26-28 Responsibility of the Auditor-General**

In this paragraph the auditor mentioned that his engagement was conducted in accordance with section 13 of the Public Audit Act no 25 of 2004 read with general notice 646 of 2007 issued in Government Gazette no 646 and section 45 of the MSA. The auditors' engagement including procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditors' judgment. The auditor believes that the evidence he has obtained is sufficient and appropriate to provide a basis for the audit findings.

**Comments:** Contents noted.

**4.1.13 Item 29 – Non compliance with regulatory requirements**

**Community Participation**

In this paragraph the auditor mentioned that adequate evidence could not be found that notice had been given to the community of the process particulars that the municipality intended to follow in the drafting of the IDP or community participation for adopting the process for drafting the IDP. The Municipal Planning and Performance Regulations require that the community be kept informed of the implementation of the IDP but there was no evidence of this aspect and therefore there is non-compliance with section 28 of the MSA and regulation 15. The community must be given 21 days to comment on the draft IDP prior to the adoption by Council. The community was not given an opportunity to comment on the draft IDP. This is non compliance with Regulation 15(3). No evidence could be obtained to indicate that the community-participate in the setting of key performance indicators which is non compliance with section 42 of the MSA and regulation 15.

**COMMENTS:** Contents noted. The community will participate in the revision of the IDP for the 2008/9 financial year and the community will be consulted regarding the setting of key performance indicators.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

**Management of the drafting process**

In this paragraph it is mentioned that the responsibilities with regard to the managing and drafting of the IDP have not been assigned to the municipal manager as required by section 30 of the MSA.





**COMMENTS:** Section 30 of the MSA is not clear on whether the assigned responsibilities must be in writing or not. Therefore, the auditor cannot claim that the responsibilities were not assigned to the municipal manager. The fact that the IDP has been drafted is an indication that the Municipal Manager has been responsible for the drafting of the IDP.

#### **Details of the IDP**

In this paragraph the auditor mentioned that the financial plan included in the IDP does contain sufficient detail regarding the financial resources available for capital projects and operational expenditure for the current year but does not reflect what is planned for future years nor a financial strategy that defines sound financial management and expenditure control as required by Regulation 2(3). Target dates are included in the IDP, but not performance targets are for each of the key performance indicators which is non compliance with section 26(i), 41(1) b of the MSA and regulation 12.

**COMMENTS:** Contents noted. The financial plan will be revised to reflect the financial resources available for capital and operational projects for current and future years. Targets will be set for each key performance indicator.

**Responsibility:** Acting Municipal Manager and CFO

**Target date:** 30 April 2008

#### **Adoption of IDP**

In this paragraph the auditor mentioned that the draft IDP must be adopted by council in terms of section 30 of the MSA. The auditor could not find evidence of the adoption which is non compliance with section 30 of the MSA. The council must adopt the IDP within a prescribed framework after the start of its elected term but the auditor could not found evidence of the adoption. The council must give 14 days notice to the public of the adoption of the plan which was not done and therefore non compliance with section 25 of the MSA.

**COMMENTS:** Contents noted. An application will be submitted to the provincial government for condo nation for non compliance with section 30 and 25 of the MSA.

**Responsibility:** CFO and DBSA deployee

**Target date:** 30 April 2008

**Submission of IDP to MEC**

In this paragraph the auditor mentioned that a copy of the adopted IDP must be submitted to the MEC within 10 days after adoption. The auditor could not find evidence that it has been done which is non compliance with section 32 of the MSA.

**COMMENTS:** Contents noted. An application will be submitted to the provincial government for conformance for non compliance with section 32 of the MSA.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

**Establishment of a performance management system**

In this paragraph the auditor mention that a documented framework of all the municipalities' cycles and processes of performance planning monitoring, measurement review and reporting has not been developed or adopted and therefore no performance management system is in place which is non compliance with section chapters 6 and 7 of the MSA. Therefore, there is no evidence that the council has implemented the IDP as actual performance against targets are not monitored which is non compliance with section 36 of the MSA. The responsibility for developing the PMS has not been formally assigned to the Municipal Manager as required by section 39 of the MSA. The performance management framework must include steps on developing key performance indicators as a yardstick to measure performance against the development priorities and objectives of the IDP. The PMS must be adopted by council before or at the same time as the commencement of the process of setting key performance indicators and targets in accordance with the IDP which was not done by Impendle. This is non compliance with section 39 of the MSA and regulation 8.

**COMMENTS:** Contents noted. An application will be submitted to the provincial government for conformance for non compliance with chapter 6 and sections 36 and 39 of the MSA and regulations 7 and 8.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

**Key performance indicators**

In this paragraph the auditor mentioned that the seven key performance indicators were not included in the IDP which is non compliance with section 43 of the MSA and regulation 10. The key performance indicators must be measurable, relevant, objective and precise which is not the case with the key performance indicators in the IDP as they cannot be easily calculated from data generated speedily, easily and at a reasonable cost, which is non compliance with section 44 of the MSA.



**COMMENTS:** Contents noted. An application will be submitted to the provincial government for condonation for non compliance with section 43 and 44 of the MSA and regulation 10.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

#### **Notification of key performance indicators**

In this paragraph it is mentioned that the targets set for each key performance indicator should be made known internally and to the general public which was not done .This is non compliance with section 44 of the MSA.

**COMMENTS:** Contents noted. An application will be submitted to the provincial government for condonation for non compliance with section 44 of the MSA.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

#### **Monitoring, Measuring and Review**

In this paragraph it is mentioned that targets set must correspond with available resources and the municipality's capacity which has not been done. Targets set must be able to measure the efficiency, effectiveness, quality and impact of the performance of the municipality which is non compliance with regulation 12. Actual performance against the predetermined development priorities and objectives, key performance indicators and targets is not measured at Impendle which is non compliance with section 42 of the MSA and regulation 13.

**COMMENTS:** Content noted. An application for condonation for non compliance with section 41 of the MSA and regulations 12 and 13 will be submitted to the provincial government.

**Responsibility:** Acting Municipal Manager

**Target date:** 30 April 2008

#### **4.1.14 Item 30 – Appreciation.**

In this paragraph the auditor express his appreciation for assistance rendered by the staff of Impendle during the audit.

**COMMENT:** Content noted.

## **5. ASSESSMENT OF ARREARS**

Debtors decreased from R2 524 205 on 30 June 2005 to R1 365 56 on 30 June 2006, which represents an decrease of R1 158 637 or 45,9%.The main reason for the huge decrease in debtors can be attributed to the fact that the outstanding amount for other debtors decreased from R3 641 788 on 30 June 2005 to R1 332 645 on 30 June 2006.



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## **ANNUAL PERFORMANCE REPORT OF IMPENDLE LOCAL MUNICIPALITY FOR THE PERIOD ENDED 30 JUNE 2008**

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## **ASSESSMENT OF PERFORMANCE**

The report addresses the performance achieved and steps that have been taken to improve performance.

### **ANNUAL PERFORMANCE REPORT FOR IMPENDLE MUNICIPALITY FOR 2006/2007**

#### **1 INTRODUCTION.**

Section 46 of the Local Government Systems Act No 32 of 2000, as amended by section 6 of the Local Government: Municipal Systems Amendment Act No 44 of 2003 states as follows:

##### **“Annual performance reports**

46(1) a municipality must prepare for each financial year a performance report reflecting-

- (a) the performance of the municipality and of each external service provider during that financial year;
- (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- (c) measures taken to improve performance.

(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act”

The ensuing report therefore serves as an assessment of the performance of Impendle municipality for 2006/7.

#### **2 TARGETS.**

Targets were not set in the Integrated Development Plan for 2006/7 and therefore there will be no comparison with targets set in the previous financial year as required in terms of section 46(1)b of the Local Government Systems Act. Although the provision of water is the main priority identified in the IDP the water function is the responsibility of the District Municipality and therefore targets for water provision is not part of this performance assessment.



Detail of Revenue	Budget 2006-2007	Actual 2006-2007	Actual 2005-2006
Government Grants	9 341 000.00	8 557 040.00	7 520 287.00
General Rates	33 480.00	73 616.00	97 810.00
Other Service Charges	435 000.00	300 873.00	442 021.00
Interest Earned		199 830.00	
<b>Total</b>	<b>9 809 480.00</b>	<b>9 131 359.00</b>	<b>8 060 118.00</b>

Efficient and optimum performance in revenue collection translates into a better life for all as more funds are available for the provision of services.

The following can be highlighted from the revenue schedule:

- Revenue from grants and subsidies was 8,39% less than budgeted for and 13,79% more than the previous year.
- General rates were 119,88% more than budgeted for and 24,74% less than the previous year.
- Other service charges were 30,83% less than the budgeted amount.
- Interest earned is 100% more than the amount budgeted.

The total income for 2006/2007 amounts to R9 131 359 which is R678 121 or 6,91% less than the budget and R1 071 241 more than the previous year.

### 3.2 Capital expenditure

The total capital budget was R2 911 173 for the 2006/2007 financial year and the actual expenditure R2 128 103 which is 73 %. A service delivery and budget implementation plan will be implemented which will speed up service delivery.

The budgeted and actual capital expenditure can be summarized as follows:

Detail of Capital Expenditure	Budget 2006/07	Actual 2006/07
Plant, vehicles and furniture		521 696.00
Community Centres	2 211 173.00	1 587 853.00
Roads & Planning		18 554.00
Sport Facilities	700 000.00	
<b>Total</b>	<b>2 911 173.00</b>	<b>2 128 103.00</b>

The following temporary and permanent jobs have been created by this capital expenditure:

- Permanent 0
- Temporary 56





### 3.3 Operating expenditure per main expenditure category

The operating results per main expenditure category for the 2006/2007 can be summarized as follows:

Expenditure	Budget	Actual
Salaries	3 732 326.00	3 364 084.00
General Expenses	1 628 768.00	1 389 412.00
Repairs & Maintenance	1 537 213.00	122 646.00
Contribution to funds		257 548.00
<b>Total</b>	<b>6 898 307.00</b>	<b>5 133 690.00</b>

The total operating expenditure is R1 764 860 or 25,58 % less than the budget for 2006/2007. The total operating expenditure is R1 240 710 or 19,46% less than the operating expenditure for the 2005/2006 financial year.

Highlights from the above expenditure schedule are as follows

- Salaries are R368 242 or 9.87% less than the budgeted amount.
- General expenses are R239 356 or 14,7% less than the budgeted amount.
- Repairs and Maintenance are R1 414 567 or 92,02% less than the budgeted amount.
- Contributions to Funds are R257 548 or 100% more than the budgeted amount

### 4 PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

External service providers are evaluated on a scale ranging from 1 to 5 as follows:

- 1 - Poor
- 2 - Fair
- 3 - Good
- 4 - Very good
- 5 - Excellent

The service providers for the 2006/2007 financial year have been rated as follows:

<b>Name of service provider</b>	<b>Rating</b>	<b>Comments</b>
Abacus	2	No manuals
Pay Day	3	Deductions incorrect
Nashua	4	Good maintenance
Standard Bank	4	Good service
Dot com	2	Mandate not completed
Indwe Financial Services	3	Claims handled promptly
CSM	4	General quick response



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## CONCLUSION

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## **CONCLUSION**

This report has been compiled in compliance with section 46 of the Local Government Municipal Systems Act 32 of 2000. The purpose is not only to comply but to report on the performance of Impendle municipality as widely as possible.

The annual report needs to be handled by council in terms of section 129 of the Local Government: Municipal Finance Management Act No 56 of 2003.

In order to promote better performance and encourage excellence the community and all stakeholders are invited to submit comments.

## **SUBMISSIONS MAY BE MADE AS FOLLOWS:**

The Municipal Manager,  
Impendle Municipality,  
Private Bag X 512,  
Impendle, 3227

Tel: 033/996 0771

Fax 033/996 0852